

Discount coupons and gift certificates do not constitute a sale under the Retailers' Occupation Tax Act because no tangible personal property exchanges hands. In essence, a gift certificate or card is deemed an intangible and Use Tax is charged on the retailers purchase price of the item received upon tender of the certificate. 86 Ill. Adm. Code 130.2125(c). (This is a GIL).

February 7, 2002

Dear Xxxxx:

This letter is in response to your letter dated October 16, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

I am writing from the STATE Association in regard to sales tax charged on the sales of gift certificates and money orders. Does Illinois have any sales tax law that includes/exempts these transactions from taxation? We need to send this information to our retailers charging state sales tax on money orders and gift certificates in the state of Illinois.

Please email or fax me the law covering this inquiry. Thank you very much.

There is no tax at the time a gift certificate or money order is sold because there is no sale of tangible personal property. These items are an intangible, which is not taxed under the Retailers' Occupation Tax Act. However, when the gift certificate is redeemed, tax is due on the selling price of the item purchased, whether partially or wholly funded by the gift certificate.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Shane McCreery

By:

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SM:JTG:msk

Enc.